

LEGISLATURE OF THE STATE OF IDAHO
Sixty-third Legislature First Regular Session - 2015

IN THE HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 133

BY REVENUE AND TAXATION COMMITTEE

AN ACT

RELATING TO INCOME TAX; AMENDING SECTION 63-3022H, IDAHO CODE, TO ESTABLISH
ADDITIONAL PROVISIONS RELATING TO A CAPITAL GAINS DEDUCTION.

Be It Enacted by the Legislature of the State of Idaho:

SECTION 1. That Section 63-3022H, Idaho Code, be, and the same is hereby
amended to read as follows:

63-3022H. DEDUCTION OF CAPITAL GAINS. (1) If an individual taxpayer
reports capital gain net income in determining taxable income, eighty per-
cent (80%) in taxable year 2001 and sixty percent (60%) in taxable years
thereafter of the capital gain net income from the sale or exchange of quali-
fied property shall be a deduction in determining Idaho taxable income.

(2) The deduction provided in this section is limited to the amount of
the capital gain net income from all property included in taxable income.
Gains treated as ordinary income by the Internal Revenue Code do not qualify
for the deduction allowed in this section. The deduction otherwise allow-
able under this section shall be reduced by the amount of any federal capital
gains deduction relating to such property, but not below zero.

(3) Property held by an estate, trust, S corporation, partnership, lim-
ited liability company or an individual is "qualified property" under this
section if the property had an Idaho situs at the time of sale and is:

(a) Real property held at least twelve (12) months;

(b) Tangible personal property used in Idaho for at least twelve (12)
months by a revenue-producing enterprise;

(c) Cattle or horses held for breeding, draft, dairy or sporting pur-
poses for at least twenty-four (24) months if more than one-half (1/2)
of the taxpayer's gross income (as defined in section 61(a) of the In-
ternal Revenue Code) for the taxable year is from farming or ranching
operations in Idaho;

(d) Breeding livestock other than cattle or horses held at least twelve
(12) months if more than one-half (1/2) of the taxpayer's gross income
(as defined in section 61(a) of the Internal Revenue Code) for the tax-
able year is from farming or ranching operations in Idaho;

(e) Timber grown in Idaho and held at least twenty-four (24) months;

(f) In determining the period for which property subject to this sec-
tion has been held by a taxpayer, the provisions of section 1223 of the
Internal Revenue Code shall apply, except that the holding period shall
not include the holding period of property given up in an exchange, when
such property would not have constituted qualified property under this
section without regard to meeting the holding period nor shall the hold-
ing period include any time period in which the property subject to this
section was held by a corporation other than an S corporation;

1 (g) When cattle, horses or breeding livestock were held and then sold
2 by a pass-through entity, the requirement in paragraphs (c) and (d) of
3 this subsection, that more than one-half (1/2) of the taxpayer's gross
4 income for the taxable year be from farming or ranching operations in
5 Idaho, shall apply to the activities of the pass-through entity. If
6 more than one-half (1/2) of the pass-through entity's gross income for
7 the taxable year was from farming or ranching operations in Idaho, and
8 the other requirements of this section are satisfied, then the capital
9 gains deduction is available to the individual owners of an interest
10 in the pass-through entity on their distributive share of the proceeds
11 from the cattle, horse or breeding livestock sale.

12 (4) As used in this section "revenue-producing enterprise" means:

13 (a) The production, assembly, fabrication, manufacture, or processing
14 of any agricultural, mineral or manufactured product;

15 (b) The storage, warehousing, distribution, or sale at wholesale of any
16 products of agriculture, mining or manufacturing;

17 (c) The feeding of livestock at a feedlot;

18 (d) The operation of laboratories or other facilities for scientific,
19 agricultural, animal husbandry, or industrial research, development,
20 or testing.

21 (5) As used in this section the term "real property" means land and
22 other tangible property permanently upon or affixed to the land.